2007-03088/

Ottawa, November 7, 2006
2006-064

Canada's New Government Provides Funding Relief for Defined Benefit Pension Plans

Related document:

- Solvency Funding Relief Regulations
- Regulatory Impact Analysis Statement

The Honourable Jim Flaherty, Minister of Finance, today released final regulations to provide temporary funding relief for federally regulated defined benefit pension plans.

The measures cover defined benefit pension plans established for employees working in areas that fall under federal jurisdiction—about 10 per cent of all plans in Canada.

In recent years, declining long-term interest rates, as well as changes to actuarial standards, have contributed to solvency deficits—the amount by which a plan's liabilities exceed its assets. The regulations, announced in Budget 2006 and pre-published on June 10, 2006, in Part I of the *Canada Gazette*, set out a range of options to help fund these deficits.

Plan sponsors could choose one of the following options:

- Consolidate previous solvency payment schedules and amortize the entire solvency deficiency over a single, new five-year period.
- Extend the solvency funding payment period to 10 years from 5 years with buy-in from members and retirees.
- Extend the solvency funding payment period to 10 years when the difference between the 5-year and 10-year level of payments is secured by a letter of credit.
- Extend the solvency funding payment period to 10 years for federal agent Crown corporations with terms and conditions to encourage a level playing field.

"The measures will help re-establish full funding of plans in an orderly manner, while also protecting pension benefits," said Minister Flaherty.

The Office of the Superintendent of Financial Institutions (OSFI) will provide further clarification shortly on the expected procedures for plan sponsors that wish to consider the new funding options. The temporary funding relief will only be available to plan sponsors whose funding payments are up-to-date.

To ensure transparency and accountability, all plans with solvency deficits file annual reports on their financial position, which are available to plan members. Further, OSFI releases information on plan solvency at regular intervals, including in its annual report to Parliament.

Further information is available on the Department of Finance website.

For further information, media may contact:

Eric Richer
Press Secretary
Office of the Minister of Finance
613-996-7861

David Gamble
Media Relations
Department of Finance
613-996-8080

If you would like to receive automatic e-mail notification of all news releases, please visit the Department of Finance website at www.fin.gc.ca/scripts/register_e.asp

---

Last Updated: 2007-01-11 Important Notices